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SIPDIS

DEPARTMENT FOR NEA/FO; NEA/ARP/BMASILKO

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TAGS: [ETRD](#) [EFIN](#) [ECON](#) [PREL](#) [AF](#) [AE](#)
SUBJECT: DUBAI: AFGHANISTAN'S PRIVATE SECTOR IN EXILE

REF: STATE 071311

CLASSIFIED BY: Jennifer Gavito, Acting Principal Officer,
Consulate General Dubai, UAE.

REASON: 1.4 (b), (d)

¶1. (C) Summary: Acting Consul General, accompanied by PolOff, met with Afghan Business Council Chairman Haji Obaidullah Sader Khail on July 15. The Afghan Business Council in Dubai was established in April 2005 and its 160 members serve as Afghanistan's private sector in exile. About 1000 of Afghanistan's 150,000 expatriates in the UAE work in the business sector; the remainder fall into the UAE's vast labor population. Afghan businesses have invested USD 10 billion in the UAE and, of that, USD 2.5 billion are legally transferred from Afghanistan to the UAE. Khail acknowledged the significant cash flow from between Dubai and Afghanistan stemming from illicit activity, primarily narcotics, and criticized both Afghan and UAE efforts to curb the problem. End Summary.

Afghan Business Community

¶2. (C) Khail told Acting Consul General that Afghan businesses have invested 10 billion dollars in the UAE. With the lack of private security in Kabul (and particularly frequent kidnapping and ransom attempts), Khail said that virtually all major Afghan business owners live outside of Afghanistan -- and the majority in Dubai. As a result, Afghan businesses are represented in all of Dubai's major business sectors. Many maintain operations in both countries, possible given nine flights between Dubai and Kabul daily. Khail, who was openly enthusiastic about recent USG efforts to stabilize Afghanistan, speculated that once security improves in Kabul, most businessmen will move home due to significantly lower operating costs than in Dubai.

Cash Flow and Narcotics

¶3. (S) Khail was critical of the ease with which cash flows between Dubai and Afghanistan, largely in support of narcotics trade. He was dismissive of the UAE's requirement that

significant cash transfers -- electronic or hand carried -- be reported, noting that hawalas, in particular, represent an easy workaround. On the Afghan side, to avoid Central Bank controls or scrutiny at Afghanistan's airports, Khail explained that couriers drive from Afghanistan to Mashad, Iran and then fly to Dubai with their cash.

14. (S) Khail referenced several meetings between the Afghan Business Council in Dubai and Afghan President Karzai. During one such meeting, Khail reportedly challenged Karzai to crack down on the illicit money transfers as they were undermining the reputation of the legitimate private sector. Khail indicated the Council has been less assertive in its advocacy with Dubai authorities, although it has encouraged the Dubai Police and Customs, particularly at the Dubai Airport, to be more vigilant in stopping illegal cash transfers. Dubai Police remain most interested, however, in focusing on sources of illicit trade, rather than the relatively small sums of money brought in and out of the city by individuals.

GAVITO